

Luki Milling Corporation  
P. O. Box 1075  
Vernal, Utah 84078

January 14, 1981

Mr. Wayne Hedberg  
Division of Oil, Gas, & Mining  
1588 West North Temple  
Salt Lake City, Utah 84116

Dear Sir:

As a follow up to our phone conversation this morning, I wish to notify you that Luki Milling Corp. in conjunction with its placer mining operation on Utah State Lease for Metalliferous Minerals #38305, has applied to the State Land Board for a sand and gravel lease on this same property. There is a twofold purpose in this application. First, since we plan to sell the magnetite black sands we will recover as a concentrate, we wish to be clear with the state to do so. Second, since we will have a stockpile of washed sand and gravel at all times, even when an area is worked out, and backfilling is commenced. If a local market is available, we can increase profitability of the operation by selling these products. We do not anticipate any large volume market as the local markets would be Moab, 35 miles away which has other sand and gravel operations closer to the market. Also Grand Junction which is 70 miles away is a potential market, however inquiries there indicate that due to the haul distance, demand there would only be during peak construction periods, when local sources fall behind the demand.

Since demand is likely to be limited, we do not anticipate much change or affect on reclamation. All fine material, except the fine black sands, will stay on site, and be used to top off the reclaimed areas. The only change in the reclaimed surface would be that it is lowered slightly due to volume of material sold and removed. Since the buffer zone along the river bank will be undisturbed, river action should not be of much effect on the reclaimed surface.

I hope this will explain our intentions in this matter and meet with the approval of the Oil, Gas, and Mining Commission.

Sincerely,

*C. J. Hart*  
C. J. Hart  
President

CJH/lh